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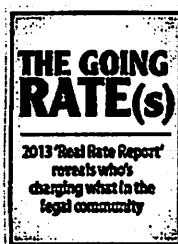
MASSACHUSETTS LAWYERS WEEKLY

The going rate(s)

2013 "Real Rate Report" reveals who's charging what in the legal community

By: Brandon Gee October 11, 2013

For attorneys and law firms deciding what to charge, and for in-house counsel who want to be savvy customers of legal services, a recently released "rate report" compiled by a legal analytics company is a virtual treasure trove of information.



Rather than relying on surveys, the 2013 Real Rate Report Snapshot draws on \$9.5 billion worth of actual invoices submitted to 83 corporate clients encompassing more than 4,800 law firms nationwide and 29.1 million hours billed. Rates are broken out along lines such as practice area, law firm size and firm location.

"It gives you a sense of the range for this type of work being done by this type of firm in this location," said David Moran, director of data management at TyMetrix Legal Analytics, the company that published the report in conjunction with the executive advisory company CEB.

"From a law firm perspective, they can go in and realize am I going in too high and will I get some pushback? Or, just as importantly, am I leaving money on the table? Law firms and corporations are asking for more of this data all the time."

Moran said it is part of an overarching trend — whether in business, politics or health care — to distill "big data" and use it to inform decisions.

One of the biggest findings of the report? Location is the single most important factor in determining what lawyers charge per hour.

In a digital age when physical presence is becoming increasingly irrelevant to one's ability to conduct a variety of work, Moran said it is fair to ask whether the legal industry will eventually become more location-neutral. For now, however, hourly rates are nowhere close to standardized across the country.

"Jurisdiction matters, so it's still important to have feet on the ground," Moran said. "We could see firms decentralize and require less office space in expensive marketplaces. But in some ways, that's up to the corporate legal departments to decide whether to farm work out to other areas."

Charles J. Gray, general counsel at North Reading-based Teradyne Inc., said he often looks outside of Massachusetts for legal services if he can find comparable quality at lower rates elsewhere in the country. Exceptions occur if he needs to litigate a matter locally, or if he has a strong, historic relationship with a particular Boston firm.

"I like to use Boston lawyers. I think Boston lawyers are the best in the country, but at the same time you have to be sensitive to cost," Gray said. "Most of our legal needs can be handled outside Massachusetts."

Nationwide, law firm hourly rates increased, although at a slower pace than previous years, but Moran said he was surprised that rates did not flatten out even more.

In addition to commanding the highest rates, large firms also saw the largest percentage increases in their rates. Boston and other New England markets were mostly in step with the broad national trends.

Moran said law firms are beginning to pay more attention to the rates being charged by others, information that can be particularly useful for those considering opening a new firm or practice area. And in a prolonged climate of belt-tightening, firms' corporate customers are eager to know how their bills compare.

"It's like any other supplier," Gray said. "You need to know what the competitive marketplace is. The difference now is buyers are more aggressive and sophisticated and pushing on prices."

Michael B. Rynowecer, president and founder of BTI Consulting Group in Wellesley, which provides strategic market research for law firms, said that 85 percent of clients rank other factors more important than billing rates when making a decision about representation, so firms should not overwhelm themselves with a "mind-numbing" amount of data about hourly rates, particularly with the growing prevalence of discounts and alternative fee arrangements.

"Most law firms and lawyers are astutely and acutely interested in what other firms are charging. If your hourly rate is within a certain relative range, then clients move on to other factors," Rynowecer said. "[Law firms] generally know more about profits per partner. It's a highly publicized number, and it's a number that represents the outcome of all your efforts. At the end of the day, it all boils down to, 'How much do I make?'"

Gray said he is increasingly pushing for discounted hourly rates and alternative fee arrangements.

"The rate discussion is an interesting one, but I think the focus for a lot of folks like myself is less about the rate and more about efficiency and having the right people at the right rate doing the right work," Gray said. "You have to look at the whole agreement you have with the law firm."

While firms are intensely interested in the rates being charged by others, they are largely unwilling to discuss their own, as evidenced by the fact that about a dozen of Boston's largest firms rejected Lawyers Weekly's interview requests for this story.

"If you are a law firm, discussing rates is a very sensitive thing because the moment you do that you open yourself up to questions and conversations with clients," Rynowecer said. "I think they are well advised not to discuss their rates."

Many of the trends identified in the Real Rate Report support Rynowecer's own market research. For example, he said he was not surprised to see that some of the biggest rate decreases in Boston in recent years have been in practice areas such as real estate and finance and securities. The real estate market has lacked activity for some time, and while there have been some large and high-profile initial public offerings, the overall volume of that kind of work also has been underwhelming, he said.

Rynowecer was surprised, however, that one of the largest rate decreases in Boston since 2010 was for associates in intellectual property — one of the only local practice areas that is seeing meaningful growth. The hourly rate drop may say more about associates themselves than IP as a practice area, he said.

"We're seeing overwhelmingly that the climate is that clients are not willing to pay the rate for associates," he said. "Clients are much more tolerant of associates if there's a fixed fee. They don't want to pay for somebody who is learning."

That is not the only way clients are influencing rates. In fact, the director of practice development at Boston's Nutter, McClennen & Fish, Kitty Gormley, said most trends in legal services pricing are "being driven by a conversation between firms and clients," as evidenced by efforts such as the Association for Corporate Counsel's "ACC Value Challenge" campaign, which was influenced largely by a survey by CEB. The survey found that "while non-law firm costs increased by 20 percent over the past 10 years, large law firms' prices jumped almost 75 percent in the same period."

"It is absolutely a buyers' market. There is more supply than there is demand. Law firms want to grow at a rate that well exceeds the marketplace," Rynowecer said, adding that BTI knows of a number of corporations that have headed the issue off at the pass by sending out letters saying they will not accept any rate increases. "Rate increases were purely automatic from 2004 to 2007, and now it is a negotiated, heavily watched and monitored event by clients. You have to be prepared to negotiate with your client as to the value they're going to get."

According to a report released last week by BTI, the corporate legal market (a three-year compound growth rate measured by client spending) is growing at 1.1 percent nationally and at about 3 percent in Boston.

"The average law firm wants to grow between 5 and 8 percent," Rynowecer said.

Who's charging what in the legal community

Real Rate Report's broadest findings — that rate growth has slowed, that rates are highest in New York, that M&A work is very lucrative, that bigger firms charge higher hourly rates — are largely obvious.

If the devil really is in the details, however, then identifying exceptions, nuances and less-obvious findings may give attorneys a competitive edge. With that in mind, Lawyers Weekly dove deep into the Real Rate Report, created its own equations and analyzed thousands of data points for Boston, other New England markets and the nation as a whole.

Lawyers Weekly's findings:

It's good to be in Boston: Nationwide, the average hourly rate for partners in 2012 was \$536.47, and for associates, \$370.25. Lawyers in Boston make more. The average hourly rate for partners here was \$598.69, and for associates it was \$388.21.

... Especially as an associate: Nationwide, partner and associate rates increased 3.1 percent and 4 percent, respectively, in 2012. Boston partners did not keep pace, though, with an hourly rate increase of just 2 percent last year. With rate growth of 5 percent, however, Boston associates outpaced their peers nationwide.

Middle of the (lead) pack: At that rate, Boston would not be catching up to New York anytime soon. Partners in the Big Apple charge more than \$100 more an hour than in any other city. Among the dozen cities where partners charged an average of more than \$500 an hour, Boston falls in the middle of the pack.

City	Partner rate	Associate rate
New York	\$755.68	\$491.92
San Francisco	\$651.33	\$424.55
Washington	\$649.24	\$411.15
San Jose, Calif.	\$634.98	\$429.04
Toronto	\$634.24	\$352.02
Los Angeles	\$620.34	\$412.53
Boston	\$598.69	\$388.21
Chicago	\$585.47	\$366.84
Calgary, Alberta	\$578.13	\$317.43
Houston	\$549.25	\$342.41
Philadelphia	\$516.56	\$317.89
Dallas	\$510.32	\$342.77



Class of New England: But at least Boston is the undisputed regional king. Among the other top markets in New England, only partners in Bridgeport, Conn., and Hartford, Conn., charge more than the Hub's associates.



City	Partner rate	Associate rate
Boston	\$598.69	\$388.21
Bridgeport, Conn.	\$427.84	\$308.88
Hartford, Conn.	\$397.27	\$278.06
New Haven, Conn.	\$335.91	\$302.97
Providence, R.I.	\$335.50	\$222.84
Manchester, N.H.	\$321.20	\$178.86
Burlington, Vt.	\$270.36	\$186.04
Portland, Maine	\$237.98	\$170.56

Red hot: On the whole, law firms had a tougher time winning rate hikes in 2012. The average partner and associate rates rose 2 percent and 5 percent, respectively, in Boston in 2012. In 2011, the average partner and associate rates increased 10 percent and 8 percent, respectively, in Boston. The biggest exceptions to the general decline in rate growth, by practice area and city, is shown in the charts below.

Biggest rate increases: 2011 – 2012

City	Practice area	Role	2011 rate	2012 rate	Growth
Providence	Litigation (ex. insurance)	Associate	\$195.43	\$235.98	+20.75%
Boston	M&A	Partner	\$697.06	\$833.02	+19.5%
Boston	Litigation	Associate	\$268.25	\$302.27	+12.68%
Hartford	Intellectual property	Associate	\$205.21	\$229.81	+11.99%
Boston	Litigation (ex. insurance)	Associate	\$317.36	\$354.17	+11.6%

Biggest rate increases: 2010 – 2012

City	Practice area	Role	2010 rate	2012 rate	Growth
Boston	Commercial and contracts	Partner	\$528.39	\$682.05	+29.08%
Boston	Litigation (ex. insurance)	Associate	\$274.99	\$354.17	+28.79%
Boston	M&A	Partner	\$652.05	\$833.02	+27.75%
Providence	Litigation (ex. insurance)	Associate	\$194.52	\$235.98	+21.31%
Boston	M&A	Associate	\$377.50	\$456.79	+21%

OBSERVATION: It was a great couple years for associates, particularly experienced ones, in Hartford, Conn. Overall, associates in Hartford saw their average hourly rate increase 23.15 percent from 2010 to 2012, from \$225.79 to \$278.06. Those with three to seven years of experience saw a 29.38 percent increase (\$220.68 to \$285.52) and those with seven or more years of experience saw a 26.59 percent increase (\$246.30 to \$311.79).

Ice cold: Others were much less fortunate. The next chart shows the largest rate declines, by practice area and city.

Largest rate declines from 2010 to 2012

City	Practice area	Role	2010 rate	2012 rate	Growth
Manchester	Litigation (ex. insurance)	Associate	\$262.88	\$170.13	-35.28%
Manchester	Litigation	Associate	\$179.12	\$150.43	-16.02%
Boston	IP	Associate	\$410.41	\$376.93	-8.16%
Boston	Finance and securities	Partner	\$630.74	\$591.64	-6.2%
New Haven	Litigation (ex. insurance)	Partner	\$326.57	\$309.46	-5.24%

OBSERVATION: So much for seniority. Partners in New Haven, Conn., with more than 21 years experienced saw their hourly rate hacked by 16.93 percent from 2010 to 2012.

Income (in)equality: In some practice areas and cities, the gap between low- and high-cost practitioners is bigger than others. The following charts show some examples.

Parity

City	Practice area	Role	1st-quartile rate	3rd-quartile rate	Difference
Burlington	Litigation	Associate	\$150	\$180	20%
Manchester	Litigation	Associate	\$125	\$150	20%
Hartford	IP	Partner	\$332	\$400	20.48%
Providence	Litigation	Partner	\$147.22	\$185	25.68%
Bridgport	IP	Partner	\$260.54	\$350	34.34%

Disparity

City	Practice area	Role	1st-quartile rate	3rd-quartile rate	Difference
Boston	Litigation	Partner	\$198	\$580	192.93%
Boston	Litigation	Associate	\$189	\$400	138.69%
Boston	Litigation (ex. insurance)	Partner	\$325	\$708.69	118.06%
Providence	Corporate and general	Partner	\$220	\$483.5	110.88%
Providence	Litigation (ex. insurance)	Partner	\$182.69	\$380	108%

OBSERVATION: Good luck guessing what a litigation partner at a Boston firm with 101 to 250 lawyers makes. The first-quartile hourly rate for such lawyers is \$175, while the third-quartile rate is two-and-a-half times larger at \$615.63. Rates in Burlington, Vt., take their cue from the surface of Lake Champlain rather than the surrounding peaks and valleys. The first- and third-quartile hourly rates for associates — \$180 and \$190.42, respectively — differ by less than 6 percent; the first- and third-quartile rates for partners — \$250 and \$285, respectively — differ by just 14 percent.

How's your blood pressure? While it's nice to know which cities and practice areas are seeing the greatest growth and decline from one year to the next, consistency is what many lawyers strive for. With that in mind, Lawyers Weekly analyzed the volatility (as defined by the standard deviation of year-over-year percentage rate growth) of hourly rate growth from 2010 to 2012. See the following charts.

Volatility — Rocky Road

City	Practice area	Role	2010 rate	2011 rate	2012 rate	Volatility
Boston	Real estate	Partner	\$387.25	\$452.92	\$380.19	27.85%
Boston	Finance and securities	Partner	\$630.74	\$738.15	\$591.64	26.08%
Providence	Corporate and general	Partner	\$344.66	\$395.1	\$341.93	19.88%
Providence	Litigation (ex. insurance)	Partner	\$262.99	\$318.31	\$297.9	19.41%
Boston	Commercial and contracts	Associate	\$356.67	\$440.11	\$428.37	18.43%

Volatility – Smooth sailing

City	Practice area	Role	2010 rate	2011 rate	2012 rate	Volatility
Boston	M&A	Associate	\$377.5	\$415.88	\$456.79	0.16%
Hartford	Litigation (ex. insurance)	Partner	\$355.71	\$350.37	\$341.33	0.78%
New Haven	Litigation	Associate	\$158.43	\$169.69	\$183.77	0.84%
Boston	Employment and labor	Associate	\$306.45	\$312.92	\$315.36	0.94%
Hartford	Litigation	Partner	\$261.41	\$258.38	\$259.95	1.25%

A good place to grow: Experience does not always correlate to higher rates, but certain cities definitely respect their elders, i.e. partners with more than 21 years under their belts. See the following chart.

City	Avg. rate, less than 21 years exp.	Avg. rate, 21+ years exp.	Difference
Hartford	\$345.01	\$424.91	+23.16%
Bridgeport	\$394.24	\$470.93	+19.45%
Boston	\$517.64	\$576.79	+11.43%

OBSERVATION: Experience is not much of an asset in New Haven, Conn., and Portland, Maine, where partners with more than 21 years' experience earn 10.7 percent and 2.83 percent less, respectively, than those with under 21 years in experience.

Making partner: Making partner is the main goal for many a young attorney, but the prize for crossing that finish line can vary greatly depending on where and what one practices. See the following chart.

Making partner makes bank

City	Practice area	Associate rate	Partner rate	Difference
Boston	M&A	\$456.79	\$833.02	82.36%
Hartford	Corporate and general	\$291.14	\$488.95	67.94%
Manchester	Litigation (ex. insurance)	\$170.13	\$278.13	63.48%
Boston	Regulatory and government	\$436.16	\$700.03	60.5%
Boston	Corporate and general	\$409.57	\$655.91	60.15%

'Making partner- Thanks, I guess

City	Practice area	Associate rate	Partner rate	Difference
New Haven	Litigation	\$183.77	\$205.87	12.03%
Boston	Real estate	\$325.91	\$380.19	16.65%
Providence	Litigation	\$169.4	\$200.14	18.15%
Hartford	Litigation	\$208.24	\$259.85	24.83%
Providence	Litigation (ex. insurance)	\$235.98	\$297.9	26.24%

Other charts:

Highest rates by practice area: Boston

Partner rate (associate)	Practice area	Firm size
\$941.50 (\$497.73)	Mergers and acquisitions	501-1,000
\$895 (\$542.14)	Commercial and contracts	501-1,000
\$792.92 (\$507.64)	Corporate and general	501-1,000

Highest rates by practice area: Elsewhere in New England

Partner rate (associate)	City	Practice area
\$488.95 (\$281.14)	Hartford, Conn.	Corporate and general
\$443.83 (\$282)	Bridgeport, Conn.	Corporate and general
\$390.68 (not available)	Bridgeport, Conn.	Litigation (excluding insurance)

OBSERVATION: Excluding firm size as a factor, M&A work remains the most lucrative in Boston by far at an hourly rate of \$833.02 for partners (\$456.79 for associates), but regulatory and government work sneaks into second place at \$700.03 for partners (\$436.16 for associates).

Lowest rates by practice area: Boston

Partner rate (associate)	Practice area	Firm size
\$247.78 (\$188.75)	Litigation	1-50
\$255.43 (\$183.54)	Litigation	51-100
\$280.20 (\$210)	Corporate and general	1-50

Lowest rates by practice area: Elsewhere in New England

Partner rate (associate)	City	Practice area
\$200.11 (\$150.43)	Manchester, N.H.	Litigation
\$200.14 (\$169.40)	Providence, R.I.	Litigation
\$205.87 (\$183.77)	New Haven, Conn.	Litigation

OBSERVATION: At an hourly rate of \$163.54, litigation associates at firms in Boston with 51-100 lawyers make less than their counterparts (at firms of all sizes) in Burlington, Vt. (\$166.96), Providence, R.I. (\$169.40), New Haven, Conn. (\$183.77), Bridgeport, Conn. (\$191.33) and Hartford, Conn. (\$208.24).

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